

**John Horsley, Executive Director of the American Association of State Highway and Transportation Officials (AASHTO) -- Where is Transportation Moving?**

*“Dwight, thank you very much. It is great to be here. The rest of you should be real proud of Chuck with the superb press conference earlier this morning. The audience had nothing but applause, no mud pie, so you are off to a good start. “Several things that I want to commend Chuck for:*

*First, it is great to see Dwight and know that he is still working in the West. Dwight and I belong out West. I have about another four years of exile until I can return and I am really looking forward to that time. I also want to thank you for inviting me to speak at this Forum. Being originally from Bremerton, Washington, I look forward to any opportunity to leave Washington D.C. and mix with real people and address real issues and concerns in our western AASHTO states.*

*Another commendation is your hiring David Ekern as Director of the Idaho Transportation Department. It is one of the best moves you could have made. He is nationally recognized as a leader in Asset Management, Operations, Design, and ITS Security. I am delighted that he is now one of my 50 AASHTO bosses.*

*And finally the hiring of Dwight Bower and Tom Warne to facilitate this process is a great move. Nationally, they are recognized as two of the best in the business.*

*Anyway, it is great to be here. A week ago, Dwight, Tom, Dave, Charlie, Jim, and John McHugh (ITD Board Member from Coeur d’ Alene) and I were all in Philadelphia where all 50 state DOT’s gathered for the AASHTO annual meeting. During the meetings, they reminisced about golfing at the Coeur d’ Alene 14<sup>th</sup> island hole and the difficulties of getting to the hole rather than in the water.*

*During that meeting, the AASHTO Board of Directors discussed the reauthorization bill that is still not passed and accepted a new strategic plan. The # 1 goal of the strategic plan is to “Re-establish Transportation as a National Priority.” It has been over a year that the reauthorization bill has been on hold. Somehow Transportation has faded on the national agenda. If the bill was passed as now proposed, it would give Idaho an additional \$600 million to \$700 million in the next 6 years.*

*During the 70s and 80s the interstate system was the national funding priority. Throughout the country there was a strong consensus that there needed to be a world class interstate system augmented with a good arterial system to establish a basic, functional transportation infrastructure. Since then, we have seen a whole series of challenges come along (multi-modal, environmental, funding, etc.) and the consensus has broken down. So AASHTO has identified that we must re-establish transportation as a national priority and re-establish funding at levels that are needed.*

*Now let me tell you Chuck, what you are doing through this forum is exactly the grassroots re-engagement that we think will have to take place to get people focused on transportation. You are on the cutting edge here in Idaho. Oklahoma is also doing the same thing. In addition, they are planning to reconnect with their constituency and remind them of how fundamental transportation is to their economy and the well being of individuals in the community. We are going to have to inform our constituents of how very important a good, functional transportation system is.*

*If you go around the state and ask a mayor or county commissioner or the Chamber of Commerce, is transportation important to your businesses, your community, your family, the reply is 'of course it is.' Transportation is absolutely crucial to our economy and to our quality of life. But then if you go to a legislator or the congress, they will agree and give you lip service, but the real question, 'is there the resources and funding that is adequate to meet transportation needs.'*

*Let me describe some of the trends that we are seeing at the national level. I also suspect that as you travel the State of Idaho you will be looking at some of the same issues. The first thing I want to put on the table, and I understand that later today you will have a more in depth demographics presentation. Idaho and the mountain west is the fastest growing region in the country. Idaho ranks 5<sup>th</sup> fastest growing state in the U. S. Boise ranks as the 7<sup>th</sup> fastest growing metropolitan area. Of the top 5 fastest growing states, it is all in the Mountain West – Utah, Nevada, Idaho, Colorado, Montana. The U. S. population grew by 100 million over the last 40 years. It is expected to grow by another 120 million over the next 40 years. The west is popular because we can accommodate growth with our wide-open spaces and our resources. Additionally, much of our growth is from in-migration from Hispanics, Asians, and every corner of the earth.*

*This population growth is large, but then you look at the transportation demand and it is growing at an even faster rate. While population increased 55%, highway travel grew by 300%. Trucking volumes doubled in the last 20 years and are expected to double again over the next 20 years. Unfortunately, it is no wonder congestion is so bad; highway capacity has increased only 5% in the same period. Idaho is poised for tremendous growth **and** congestion.*

*Another dynamic taking place is that we are in a global economy. International trade's GDP was at 13% in 1990 and increased to 24% in 2000 and is expected to increase to 35% by 2020. No matter how we approach this dynamic, we must ratchet up our exports. Whether that freight is moved by truck, rail, or the Columbia and Snake River inland barge, it takes money and capacity to do the job. The inland waters system and the rails are struggling.*

*We haven't had an adequate level of investment in the locks, and the railroads can't generate enough revenue to rejuvenate their systems. If those folks can't move their share of freight, then by default the freight moves to the highway systems. And we all know that the system is already meeting critical overload criteria in some areas. We need a balanced system with healthy railroads and barges and an adequate highway system.*

*Dwight told me that you have a copy of AASHTO's Bottom Line Report in your binder. So let me talk about money for a second. Our analysis showed that just to maintain our highway system nationwide in its current condition, we need to increase capital spending from \$64 billion to \$92 billion annually. And to improve the system, we need to invest \$125 billion each year. A similar analysis for transit shows that we need to be investing \$19 billion annually up from \$10 billion and to improve it we need to increase capital investment to \$44 billion. What we see is an increasing public demand for fully-functional transit systems, especially in the metropolitan areas. As the elderly retire in place (the over 65 population will double), Idaho will face an increasing rural demand for van service. The funding source decisions for transit will become a much larger issue as this century progresses.*

*But let's get back to the basic task Idaho transportation people address every day. PRESERVATION IS JOB 1. You have a solid investment in the system that has been built over the last 50 years. That is the bedrock that your system is built on. But what is happening is that these systems are now coming to a time when they must be re-built. The loads of modern trucks are greater than the roads were designed for. Much of the system (both state highways and local arterials) now require expansion and structural reinforcement. The current core resources are being used to preserve our system, not improve or expand. Additionally, the safety of the system will require even greater efforts to meet our goal of reducing the current 1.5 fatalities per million vehicle miles traveled. The new national goal of 1.0 will be much harder to meet as the volume of highway usage increases unless our transportation system is improved to meet future projected needs.*

*When you look at the projections for Idaho, many people ask how we can get from here to our future. What many are recognizing is that our methods of travel should change – alternative fuels, light rail, transit in numerous forms, etc. But this causes shifts in revenue and also funding to target appropriate modes to meet people's needs.*

*Although raising taxes is not a popular option, let me share some other states solutions as they have analyzed their growing needs. Indiana raised its gas tax 3¢, Ohio 6¢, and Washington 5¢. The average gas tax is 25.3¢, Idaho's is 25¢. Oregon recognized a bridge crisis and their legislature approved a \$2.9 billion program, with \$1.7 to bridges. They approved \$2.1 billion of this program with bonding authority supported by an increase in registration fees. Texas's legislature passed tolls, which realistically require large population and traffic volumes to be viable. Arkansas is using GARVEE bonding to rebuild its interstate system in 5 years rather than 15, and through accelerated construction bonding, South Carolina has a 7 year building program that would have taken 27 years to complete.*

*Another option that I am familiar with is in Washington, where the property tax/sales tax was not keeping up with major growth. The local county road improvement districts decided to put surcharges on neighborhood property tax and use impact fees on new homes to generate additional funds. Ordinarily, this type of funding would not be considered, but with the fast growth that we were facing, they became reasonable alternatives. Idaho may face similar situations as advertisers like those for Tamarack, Idaho entice people with slogans "**the difference between destination and destiny.**"*

*Let me wrap up with my assessment about 3 trends and how they will affect us nationally and in Idaho.*

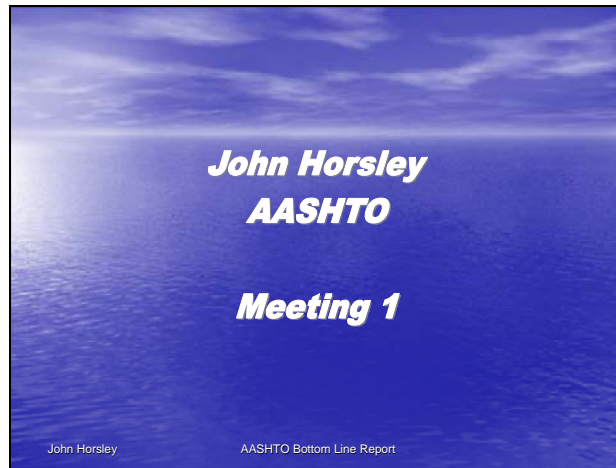
*1) Job outsourcing is real and is a threat to our core economy. We are competing with China and other developing countries for gas. They are currently strengthening their abilities to produce for worldwide markets, while we are seeing a decline in our agriculture and other businesses that rely upon transportation systems to move their products to export. Even so, both import and export rely on efficient transportation systems to stay competitive and it will fall to our shoulders to keep our system viable.*

*2) The trend is to a high-tech information services economy that requires skilled employees. Employers are searching for this type of employee wherever they can find them. You are currently holding your own in Idaho because you have high-quality of life amenities, which attracts high-tech employees to settle here. Your state offers wonderful recreation opportunities, but as the Forest Service and other governmental agencies face continuing budget cuts, campgrounds and trails may be closed. Many people enjoy the out of doors, but if you can't get to it, they won't be able to enjoy it. We are going to have to find a way to sustain recreation access. It used to be the economy of the West was centered on agriculture, mining, and lumber, but increasingly tourism, recreation, travel, retirement, and service industries are expanding our economy. No matter what our economy is based on they all revolve around transportation. It is the foundation that drives everything else.*

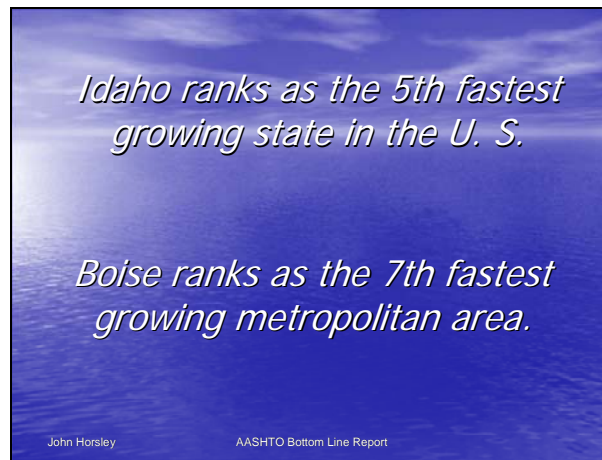
*3) Another trend is hybrid vehicles/alternative fuels and the timing of how this issue will affect transportation and erode fuel tax revenue. Ethanol is an immediate problem in that in the next ten years, ethanol usage will reduce fuel tax revenues by \$4 billion. Congress is already moving ethanol tax to transportation revenue, but the current tax breaks will have to be modified as consumption grows. By 2015, 15% of our vehicles will be some type of hybrid; and by 2020, electric vehicles are predicted to also impact fuel consumption. Additionally, we are losing 26% of our potential fuel revenue by not indexing taxes to the cost of living increases. Finally, worldwide demand for gas is increasing. The short-term plateau of gas cost will be above \$2. U. S. consumers would probably need a \$4 a gallon gas price to seriously alter their gas consumption. This could conceivably happen in the next 40-50 years.*

*Congress recently agreed on \$299 billion, but the Democrats were not very satisfied and have threatened to block finalization. Additionally, the presidential election is very influential to this bill, which may cause delay. Realistically, the bill will probably not be finalized until the beginning of next year. Thanks again for your time.*

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### What's happening around the country?

- *Indiana raised its gas tax 3¢*
- *Ohio raised theirs 6¢*
- *Washington 5¢ plus 9.5¢*
  
- *The average gas tax nationally is 25.3¢*
- *Idaho's is 25¢*

John Horsley

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### What's happening around the country?

- *Oregon just launched a \$2.9 billion program, with \$1.7 billion going to bridges*
- *Arkansas has its 15 in 5 program using GARVEE bonds*
- *South Carolina has their 27/7 program*

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### Three trends that are going to effect us into the future:

1. *Job outsourcing is real and is a threat to our core economy.*
2. *The trend is to a high-tech information services economy that requires skilled employees.*
3. *A trend is hybrid vehicles/alternative fuels and the timing of how this issue will affect transportation and erode fuel tax revenue.*

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